RAJYA SABHA

Tuesday, the 10th March, 1992/20th Phalguna, 1913 (Saka)

The House met at eleven of the clock, **Mr. Chairman** in the Chair.

ORAL ANSWERS TO QUESTIONS

Special Tax Preference to Public Sector Mutual Funds

*181. SHRI P. UPENDRA : Will the Minister of FINANCE be pleased to state:

(a) whether Government are giving special tax preference to public sector mutual funds;

(b) whether Government propose to extend this preference to private sector mutual funds also; and

(c) if so, what are the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): (a) Yes, Sir.

(b) and (c) Yes, Sir. The Finance Bill, 1992 seeks to enlarge the scope of Section 10(23D) of the Income-tax Act, providing for income-tax exemption to public sector Mutual Funds, by proposing to include there-under the Mutual Funds authorised by the Securities & Exchange Board of India.

SHRI P. UPENDRA : Sir, the mutual funds have not only come to stay in the Indian capital market but this decade may be a decade of mutual funds. There are already eight mutual funds of the public sector and particularly after the spectacular performance of the Unit Trust of India — a public sector undertaking — there is growing interest in this and the investing public also are gaining rich experience in the operations of the mutual funds. In view of this growing interest of the public in the mutual funds, what is the thinking of the Government to promote this activity and how many applications are pending with the Government for setting up new mutual funds in the country?

SHRI RAMESHWAR THAKUR : Sir, the hon. Finance Minister, in his Budget speech, has indicated that the mutual funds could be established by the private sector also and similar facilities would be given to them. We are hopeful that in due course of time, a number of viable business enterprises may like to go in for private sector mutual funds. The facilities available under the Income-tax law for the public sector mutual funds will also be available to the private sector and the Government would be interested in a healthy capital market, a balanced growth of public sector as well as private mutual funds which will be governed by the SEBI and for which detailed guidlines have been issued by the Government on 14th of the last month.

SHRI P. UPENDRA : My question was, how many applications are pending with the Government for setting up of mutual funds by the private parties? How many applications are pending with the Government now?

SHRI RAMESHWAR THAKUR : Sir, the applications will not be pending with the Government. The applications now will go to the SEBI — the Securities and Exchange Board of India — and we do not have the figures from the SEBI at the moment. We can obtain the same and give to the hon. Member. (*Interruptions*).

MR. CHAIRMAN : He says, they are not with the Government but with the other bodies. He will collect it now and give it to you because there are so many bodies under him.

SHRI P. UPENDRA : Sir, the Minister mentioned about the guidelines and these guidelines have been drafted on the recommendations of the Dave Committee and one of the ex-Chairmen of the UTI, Mr. Bhatt, has said, "these guidelines are inadequate." There is a need to safeguard the interests of the investing public and encourage

the healthy growth of the capital market. For this purpose he said, "The guidelines are not quite adequate." There are also apprehensions about the ability of the mutual funds to live up to the promise of their returns. There is concern about some mutual funds publishing their annual accounts, about the transparency of their transactions, about lack of adequate information and their investment strategy and consequently the risk involved in their operations. There are apprehensions about all these aspects. I would like to know what the Government is proposing to do to remove these apprehensions among the public when they open up this sector to private enterprises. Secondly, there is also a feeling that there is a multiplicity of agencies. I would like to know whether the Government will ask the SEBI to be the sole agency to control these mutual funds without any interference from the other agencies.

SHRI RAMESHWAR THAKUR: Sir, in order to have a healthy growth of the public sector as well as the private sector mutual funds the guidlines were issued earlier by the Reserve Bank of India, but thereafter a Study Group on Mutual Funds was appointed under the Chairmanship of Dr. S.A. Dave, Chairman of SEBI. It had examined all the aspects, including various safeguards which should be provided for the mutual funds. After careful examination of the Report as well as in consultation with the Reserve Bank of India the Government announced the guidlines on the 14th February, 1992. The guidelines are quite comprehensive and at the moment we feel that the guidelines provide the various safeties that should be there for the healthy growth of the capital market. The guidelines issued cover these mutual funds. Mutual funds shall be authorised to have business only under the guidance of the recently set up Securities and Exchange Board of India. They shall establish....

MR. CHAIRMAN: How many pages are there? How many pages. . .

SHRI RAMESHWAR THAKUR: Sir, no more pages are there. . .

MR. CHAIRMAN: What?

SHRI RAMESHWAR THAKUR: This is a long statement, Sir, but I am only mentioning the points which. . . (*Interruptions*). . .

MR. CHAIRMAN: ...another question.

SHRI RAMESHWAR THAKUR: Full safeguard is being maintained and after the exercise they have just announced no private sector mutual fund has come into operation. In due course if we find that there are inadequacies, as mentioned by the hon. Member, they will be examined and care will be taken; if necessary, they will be modified in due course of time.

MR. CHAIRMAN: Are you willing to lay the guidelines on the Table of the House? And if there are any loopholes, they can suggest how to plug them.

SHRI P. UPENDRA: Sir, he has not answered the other part of my question about the role of SEBI: whether it is the sole agency to control these funds and avoid multiplicity of various agencies.

SHRI RAMESHWAR THAKUR: I have already mentioned, Sir, that now it is the SEBI which will be looking after all the mutual funds.

श्री संघ प्रिय गौतम : मान्यवर सभापति महोदय, मैं मंत्री महोदय से यह जानना चाहता हूं कि भारत सरकार के वे संयंत्र जिनको अभी भारत सरकार ने निजी क्षेत्र में देने की तो बात नहीं सोची लेकिन जो बराबर घाटे में चल रहे हैं, क्या उनके अध्यक्षों/प्रबंध निदेशकों की तरफ से इस प्रकार का कोई आवेदन है कि टैक्स प्रैफरेंस म्युचुअल फंड में उन्हें दिया जाए?

श्री रामेश्वर ठाकुर : ऐसी कोई योजना सरकार के विचाराधीन नहीं है। हमने जैसा बताया कि इस तरह का कोई प्रस्ताव आएगा तो उसके विषय में जो हमारी अधिकारिक बॉडी है, वह इस पर विचार

करेगी और इसके विषय में सभी शर्तों को देखकर, जो राष्ट्रहित में होगा और जो गाइडलाइंस के अनुकूल होगा तभी उन्हें इस बात की स्वीकृति दी जाएगी कि वे नए म्युचुअल फंड की स्थापना निजी क्षेत्र में करें।

श्रीमती सरला माहेश्वरी : माननीय सभापति महोदय, मैं मंत्री महोदय से यह जानना चाहती हूं कि इनकी तमाम सद्इच्छाओं का बाजार की हकीकत से कोई वास्ता नहीं है। अध्यक्ष महोदय, आज अगर शेयरों के बाजार को हम देखें तो मालूम पड़ता है कि किस तेजी से वे आगे बढ़ रहे हैं यानी हमारी सरकार की जो आर्थिक उदार नीति है वह बुल पावर से चल रही है, सांड शक्ति से चल रही है और इस सांड शक्ति के चलते सभापति महोदय, आज हालत यह है कि एक तरफ तो औद्योगिक उत्पादन में वृद्धि की दर शून्य से नीचे पहुंच गई है और दूसरी तरफ शेयरों के भाव आकाश को छू रहे हैं।

श्री सभापति : इनका प्रश्न तो म्युचुअल फंड पर है आप शेयरों पर पहुंच गई हैं शेयर बाजार मत जाइए।

श्रीमती सरला माहेश्वरी : मैं सवाल पूछ रही हूं। इसका मतलब आप बुल पावर की शकित को ... **(व्यवधान)**

MR. CHAIRMAN: You kindly confine yourself to the root of the question.

श्रीमती सरला माहेश्वरी : मैं यह जानना चाहती हूं मंत्री महोदय से कि यह शेयरों का जो सट्टा बाजार चल रहा है और इस सट्टे बाजार के चलते ... **(व्यवधान)**

श्री सभापति : भई सवाल म्युचुअल फंड पर है।

श्रीमती सरला माहेश्वरी : सभापति महोदय, मैं म्युचुअल फंड पर आ रही हूं।

श्री सभापति : उस पर आइए शुरू से। इधर-उधर घूमकर मत आइए।

श्रीमती सरला माहेश्वरी : सभापति महोदय, मैं सवाल पर आ रही हूं। महोदय, म्युचुअल फंड की जो हालत है उसके कारण जो छोटे-छोटे इन्वैस्टर्स हैं वे उसके फंदे में फंसते चले जा रहे हैं। तो इन छोटे-छोटे नियोजनकर्ताओं को इन आर्थिक सटोरियों से बचाने के लिए सरकार क्या कर रही है?

श्री रामेश्वर ठाकुर : अभी तात्कालिक जो म्युचुअल फंड हैं वे सब के सब सार्वजनिक क्षेत्र में हैं और सभी मुनाफे में चल रहे हैं। इसलिए माननीय सदस्या को इसमें किसी प्रकार की कठिनाई नहीं होनी चाहिए। म्युचुअल फंड के निवेशकों को कोई कठिनाई अभी तक नहीं हुई है और हमारे सामने भी इस संबंध में कोई कठिनाई नहीं आई है। अगर आपके ध्यान में कोई कठिनाई हो तो हमें बताएं ताकि हम उसका समाधान कर सकें।

शेयर बाजार में जो ऊंचाई आई है नयी नीति के कारण और सामान्य तौर से जो ऊंचाई है वह खुशी की बात है। उसमें कोई चिंता की बात नहीं होनी चाहिए। शेयर बाजार के जो अधिकारी हैं और दूसरे अधिकारीगण इस पर विचार कर रहे हैं।

श्री सभापति : आप भी फिर शेयर बाजार में चले गए।

SHRI GURUDAS DAS GUPTA: Mr. Chairman, Sir, the point is. . .

MR. CHAIRMAN : Be on the point. You also don't run away to share bazaar or somewhere else.

SHRI GURUDAS DAS GUPTA : . . .that the setting up of mutual funds is motivated by the Government to set up a fund outside the purview of the public sector because it will go into the formalities and modalities of the working of the mutual funds set up by public sector banks. When the truth is clear that the public sector banks do not have the supervisory power over the mutual funds as they have on their own funds, nor does the Reserve Bank have control over them, therefore, I call it that it is a private fund of the public sector. My question is like this : (a) Is the Minister aware that because of the special concessions being given to the public mutual funds there is a diversion of funds from the public sector banks? (b) Is the Minister aware that because of the concessions being given to the mutual funds the Small Savings Scheme is being seriously affected and because of the sinking in the Small Savings Scheme the States are being affected? As you know, Sir, 75% of the small savings funds the State Governments are going to lose.

MR. CHAIRMAN : Everybody knows it.

SHRI GURUDAS DAS GUPTA : Therefore, it is ultimately the States which are losing because of the diversion of the funds from the Small Savings Scheme.

MR. CHAIRMAN : So, what is your question?

SHRI GURUDAS DAS GUPTA : I have asked two questions. (a) Is the Government aware that the funds are

being diverted from the public sector banks to mutual funds? (b) Is the Government aware that funds are being diverted from Small Savings Scheme, affecting the interests of the States to the mutual funds? (c) Is the Government aware that most of the funds accumulated in the mutual funds are not being invested for growth but are being utilised to finance big industries, in some cases speculation and in some cases giving loans to other banks at an exorbitant market rate?

SHRI RAMESHWAR THAKUR : I think, Sir, the question is based on the mis-construed position of mutual funds. Mutual funds as they stand today . . .

SHRI GURUDAS DAS GUPTA : I want the facts.

SHRI RAMESHWAR THAKUR : I am giving you the facts.

SHRI GURUDAS DAS GUPTA : Are the funds being diverted?

MR. CHAIRMAN : Quick question and quick answer, please. Otherwise many persons will not be able to get a chance to speak.

SHRI RAMESHWAR THAKUR : There is no question of diversion from the public sector to the private sector. In fact, out of eight, five mutual funds have been established by banks themselves, like the SBI mutual fund . . .

SHRI GURUDAS DAS GUPTA : Sir, the bank deposit is declining. He has not understood my point. It is the total bank deposit that is declining.

SHRI RAMESHWAR THAKUR : Sir, the deposit is not declining. Hon. Minister has already given the figures in the House. (*Interruptions*). It is not declining. It has increased. My colleague has already given the figures. The question is, they have not diverted from public sector to private sector. These funds are very much in the public sector. Sir, five of them are established by banks themselves, two by the GIC and LIC, one by the Unit Trust itself. Therefore, the question of diversion from the public sector to the private sector does not come. Now the question is, people find that — as the hon. Finance Minister has said in his Budget speech — some progress towards evolving competitive structure has been made in last few years with encouraging results. For many investors mutual funds are more suitable investment vehicles than direct. (*Interruptions*)

SHRI GURUDAS DAS GUPTA : Is the Small Saving Scheme affected?

MR. CHAIRMAN : His question is very simple and you give a simple reply. Don't get involved in everything else. He wants to know whether the small savings have gone down because of the mututal fund. He puts it in such a way that the Minister can escape out of . . . (*Interruptions*.

SHRI GURUDAS DAS GUPTA : It is in crores.

MR. CHAIRMAN : I will put your question. Otherwise you will have an answer for an hour.

SHRI RAMESHWAR THAKUR : There are mutual funds in the public sector. Banks are also in the public sector. There are many schemes through the State Governments and other agencies available to public for investment. In the competitive market wherever people find it fit, they are investing their money. There is no question of direct diversion of small savings to the mutual funds.

SHRI GURUDAS DAS GUPTA : Sir...

MR. CHAIRMAN : One minute. You have confused the whole issue. His question is, have the small savings declined due to this mutual fund because in small savings the States have a share? And 75 per cent is given as loan. The Minister will reply.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH) : There is no conclusive evidence that small savings have declined because of mutual funds. The mutual funds have been there for several years. Small savings have declined in the last one year. But it is because of the Budget that was presented by their friend Mr. Madhu Dandavate.

SHRI GURUDAS DAS GUPTA : This is because of the generosity to the mutual funds that deposit money has declined. The Minister does not accept the truth.

MR. CHAIRMAN : Yours and his reasons might be different. Shri Jagesh Desai.

SHRI JAGESH DESAI : Sir, the public sector mutual funds are doing very . . .

SHRI GURUDAS DAS GUPTA : Sir, I want an assurance.

MR. CHAIRMAN : No. Please, no.

SHRI GURUDAS DAS GUPTA : We want a half-an-hour discussion on this.

MR. CHAIRMAN : Write to me.

SHRI JAGESH DESAI : As already said by the Finance Minister, the public sector mutual funds are doing excellent work. Sir, I want to know from the hon. Minister that if private mutual funds are established then again the industrial houses can manipulate and they can control that. Sir, the commitment of the Congress is there for mutual funds. The Congress is committed for mutual funds but particularly for pension funds. So, I would like to know from the Minister, whether tax concession will be given only to mutual funds in private sector which are for pension funds or for all the funds. Sir, if that is done, then I am afraid that many of the business houses will divert funds to the mutual funds only to see that their tax liability will be less.

Here there will be no tax and the investment will be done mostly in the business houses. I would like to know from the hon. Minister what will be the effect of this.

SHRI RAMESHWAR THAKUR : This is only apprehension. The private sector mutual funds have not come into existence. When they come they will be guided by the guidelines given. If they go beyond the guidelines, and if we have a conclusive proof that they are manipulating, as the hon. Member has said, necessary action would be taken by the SEBI and the Government. But that situation does not arise today.

Revenue Collected by way of Tax Arrears

*182. CHOWDHRY HARI SINGH: Will the Minister of FINANCE be pleased to state:

(a) what is the total amount of revenue collected by way of tax arrears during the last six months; and

(b) what are the details of cases in which recovery of Income Tax has gone into arrears during the above period and how does Government propose to recover the arrears from these assessees?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): (a) During the period 1.8.1991 to 31.1.1992, a sum of Rs. 1639 crores (provisional figure) has been collected by way of arrears of income tax due.

(b) During the period 1.8.1991 to 31.1.1992 current income tax demand of Rs 6403 crores was raised out of which Rs.4972 crores were realised, leaving a balance of Rs. 1431 crores. This demand will become arrear demand if it remains uncollected beyond 31.3.1992. All possible measures provided under law are taken to realise the outstanding demand. The Chief Commissioner of Income tax have been directed to given top-most priority to the work of recovery of outstanding demand, along with realisation of current dues.

CHOWDHRY HARI SINGH: Hon. Chairman, Sir, my question is very straight and direct. May I know from the hon. Minister whether the Government has taken any special measures to collect the arrears of tax. A huge amount of income-tax arrears remains to be realised. May I know from the hon. Minister as to what special steps they are going to take to collect the arrears from those persons who are habitual defaulters? What are the special measures legally and otherwise also?

SHRI RAMESHWAR THAKUR: In regard to the outstanding dues, the Commissioner of Income-tax and the Chief Commissioner have been directed to review the position every month and examine clearly, case by case, all important cases and the amounts that are to be realised. There has been satisfactory realisation of the amount in the current year. In case of habitual defaulters, we have been levying penal interest, penalty and also attachment and sale of their movable property, the attachment and sale of their immovable property, arrest of the defaulter and his detention in prison and also appointing a receiver for the management of the defaulters' movable and immovable properties. These are some of the legal provisions which are applicable to